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By Email and Hand Delivered

March 9, 2010

Natalie Howlett
Department of Energy Resources
100 Cambridge Street –Suite 1020
Boston, MA 02114

Re: Requests for Comments – DOER Solar Carve Out – Final Regulations

Dear Ms. Howlett:

Thank you for allowing us to comment on the above referenced regulations pertaining to a Solar Carve Out of the Massachusetts Renewable Portfolio Standard (RPS). These final regulations would add an additional element to the current (and increasing) RPS by requiring a certain percentage to be met exclusively through the use of solar renewable energy certificates. This solar program is authorized (but not required) in the Green Communities Act (GCA) and has been initiated due to the Governor's pledge to install 250 megawatts of solar power by 2017. These regulations when finalized will replace emergency regulations adopted on January 8th, 2010.

AIM is the largest trade association in Massachusetts. AIM's mission is to promote public policy supporting private sector job creation throughout the Commonwealth of Massachusetts, proactively advocating for fair and equitable public policy, and providing relevant, reliable information and excellent services on behalf of our thousands of members throughout the state.

On September 9, 2009 AIM submitted comments to the original "solar carve out" straw proposal. AIM also attended the March 2, 2010 public hearing at the Department of Energy Resources (DOER) pertaining to the final comments.

Not surprisingly, since the proposed final regulations mirror the emergency regulations (and are little changed from the straw proposal) the basic tenor of our comments has not changed. The solar carve out is unnecessary, expensive, and not well thought out as regards to its costs, benefits and economic implications, especially with consideration to our already highest in the nation electricity rates. There was no effort to look at alternative ways to accomplish goals articulated during the stakeholder process. Finally, the regulations for the solar carve out are particularly onerous because its costs are in effect retroactive, undermining existing contractual agreements for energy supply and subject customers with existing contracts to retroactive cost increases they have not budgeted for. In the area of renewable portfolio standards this is an unheard of practice.

In fact, as a result of recent approvals of numerous additional costs to ratepayers, AIM's original comments concerning the economic impact of these regulations as they pertain to the overall cost of electricity are even more important and credible. When AIM filed its original comments, many additional and costly programs were only proposed or being reviewed by the Department of Public Utilities (DPU). Since then these programs have been approved and the costs are starting to show up on consumer rates now.

These additional programs include the new energy efficiency tariffs and surcharges and tariffs related to traditional rate cases. In addition, smart grid, net metering and even other solar and renewable programs are currently being implemented, all adding to the cost of electricity for ratepayers. The multitude and magnitude of programs all hitting at one time is causing confusion to ratepayers in that they have absolutely no idea what their rates will be in the next few years. Even if they were aware of some of these programs, programs like this one results in customers getting retroactive rate increases – a total surprise. In fact, AIM recently heard from a major member about significant increased costs since the first of this year.

We believe that DOER, as the state department responsible for energy supply and pricing, is simply not being straightforward with the ratepayer and is demonstrating a lack of concern for the ratepayers of Massachusetts and the impact even small increases can have on the viability of companies here.

In the last year alone, AIM has asked DOER and DPU a number of times for a list of all recently approved programs and their collective cost impact on ratepayers. To date, AIM has not received any cost estimate regarding the collective rates impacting power costs for the next 2 - 5 years.

Since no estimate was provided by the DOER or DPU, AIM conducted its own analysis focused solely on NEW programs resulting from the GCA and some traditional rate cases. Our conclusion: the increased costs for electricity and gas customers resulting from implementation of programs already approved will be nearly 1.7 billion dollars over the next three years, *not including* expected increases in supply or transmission costs. If not abated, these charges could add up to an almost 2 cent per kilowatt increase in electric rates by 2012. Worse, many of these proposals are fully reconciling – as energy use drops the cost will remain the same – further increasing costs to remaining ratepayers.

DOER should be publishing these costs so that consumers are not blindsided. The legislature should be made aware of such costs prior to new costs being added.

To be sure these sometimes overlapping and conflicting programs have the potential to bring savings to the economy – the energy efficiency program being a prime example. But the fact remains that they cost ratepayers money now in a recessionary period when all businesses are struggling to control costs.

With this solar carve out, we believe that DOER has thrown logical economic analysis out the window. The expected 600 M/Hr is *nearly 10 times* the subsidies (also paid for by ratepayers) for renewable power under the current RPS, itself multiple times the cost of traditional power. While AIM has been an ardent supporter of renewable power (and energy efficiency), the fact remains that this solar carve out proposal will add an additional 1.5 – 2.0 billion dollars to electricity costs over its life, a very significant long term increase.

Even in the short term this program brings with it significant costs. According to DOER's own estimates, the yearly cost could be as high as 200 million dollars within a few years, almost 10 times the entire current budget of the renewable trust (also supported by ratepayers) which is charged with encouraging renewables, including solar.

Contrary to popular notions, there is already an enormous amount of money subsidizing renewable power in Massachusetts and our power overall comes from some of the greenest power plants in the nation. *Existing* renewable programs are costing ratepayers nearly 1 billion dollars over the next six years – not including this solar program. Considering that Massachusetts ranks 47th in the amount of carbon dioxide per gross state product, meaning we have one of the most efficient carbon utilizing economies in the United States, we believe this program is simply not necessary. Added together, existing and proposed renewable and energy efficiency programs along expected with general rate increases are expected to account for almost 2.3 billion dollars in additional costs in the next three years.

A tipping point has been reached. Even with emphasis on energy efficiency, it is quite possible the vast majority of consumers will see electric bills rise even if they take advantage of all efficiency programs due to additional charges overwhelming any savings.

Interestingly, this solar carve out and its subsidy comes at a time when some have predicted that rebates for solar will be unnecessary. In the December 30, 2009 Boston Globe, Secretary Ian Bowles was quoted as follows:¹

[Secretary] Bowles said he doesn't think solar projects will need to be subsidized for much longer, however. Though expensive - the average cost of a residential solar project in Massachusetts is about \$33,500 - installation costs have been dropping.

“You’re going to see in the next five years that solar will no longer need any sort of specialized incentive program,” Bowles said.

It is inconceivable that on the one hand, the Secretary is predicting the elimination of solar incentives, while on the other hand DOER is proposing solar incentives that will add up to almost 2 billion dollars over the next 10 years.

Taxing one segment of the economy to benefit another is simply not the way to generate jobs – job losses will be as likely as job gains, as no wealth is created by shifting. In addition the environmental benefit of this program is minuscule - 400 MW (the goal of this carve out over the program life) is less than 150 MW of actual power. For a fraction of the cost, clean natural gas could be used or renewable power could be encouraged through other more cost effective programs.

DOER needs to identify the costs of all the other renewable and energy efficiency programs before adding costs for this solar carve out. We need to come to a collective understanding that the capacity of the ratepayers to pay these costs – in effect taxes – is not limitless and that the negative economic impact of these programs is real. This is not to say that our societal efforts to create a sustainable future should be abandoned. Rather, DOER needs to pause, review with a cost/benefit methodology the value of all the GCA programs, and re-prioritize. It should start by withdrawing these solar carve out rules to signal its commitment to the ratepayers of the state.

We urge the DOER to start over and work with stakeholders for a sustainable program that will benefit the environment and the ratepayer.

We appreciate the opportunity to comment on this proposal.

Should you have any questions please do not hesitate to contact me at 617-262-1180.

Sincerely,

A handwritten signature in black ink, reading "Robert A. Rio". The signature is fluid and cursive, with the first name "Robert" being more prominent than the last name "Rio".

Robert A. Rio, Esq.
Senior Vice President and Counsel
Government Affairs